

YOUR EXTENDED COVERAGE RIGHTS UNDER THE PUBLIC HEALTH SERVICE ACT

November 2003

Introduction

You are receiving this notice because you are covered under the Commonwealth of Virginia's Health Benefits Program or Retiree Health Benefits Program (the Plan). This notice contains important information about your right to Extended Coverage, which is a temporary extension of coverage under the Plan. The right to Extended Coverage was defined for private employers by federal law through the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), and these rights are reflected in the continuation coverage provisions of the Public Health Service Act which covers employees of state and local governments. Extended Coverage can become available to you and to other members of your family who are covered under the Plan when you would otherwise lose your group health coverage. This notice generally explains Extended Coverage, when it may become available to you and your family, and what you need to do to protect the right to receive it. This notice gives only a summary of your Extended Coverage rights. For more information about your rights and obligations under the Plan and by law, you should contact your Benefits Administrator.

Your Benefits Administrator is the individual designated by your employing agency (for active employees), the Virginia Retirement System (for retiree group participants), or your pre-retirement agency (for Optional Retirement Plan or Local retiree group participants) to administer eligibility for the Plan, including Extended Coverage. Contact the Human Resources Department of the appropriate entity (as previously noted) to determine the name and mailing address of your specific Benefits Administrator. See the "If You Have Questions" section on page four for additional information regarding resources.

Extended Coverage

Extended Coverage is a continuation of Plan coverage when coverage would otherwise end because of a life event known as a "qualifying event." Specific qualifying events are listed later in this notice. Extended Coverage must be offered to each person who is a "qualified beneficiary." A qualified beneficiary is someone who will lose coverage under the Plan because of a qualifying event. Depending on the type of qualifying event, employees, spouses of employees or retiree group participants, and dependent children of employees or retiree group participants may be qualified beneficiaries. Under the Plan, qualified beneficiaries who elect Extended Coverage must pay the full cost of coverage plus an administrative fee.

If you are an employee, you will become a qualified beneficiary if you will lose your coverage under the Plan due to the occurrence of any of the following qualifying events:

- Your hours of employment are reduced, or
- Your employment ends for any reason other than your gross misconduct.

If you are the spouse of an employee or retiree group participant, you will become a qualified beneficiary if you will lose your coverage under the Plan due to the occurrence of any of the following qualifying events:

- Your spouse dies;
- Your spouse's hours of employment are reduced;
- Your spouse's employment ends for any reason other than his or her gross misconduct; or
- You become divorced from your spouse.

Your dependent children will become qualified beneficiaries if they will lose coverage under the Plan due to the occurrence of any of the following qualifying events:

- The parent/employee/retiree group participant dies;
- The parent's/employee's hours of employment are reduced;
- The parent's/employee's employment ends for any reason other than his or her gross misconduct;
- The parents become divorced, causing the child(ren) to lose eligibility; or
- The child stops being eligible for coverage under the plan as a "dependent child."

The Plan will offer Extended Coverage to qualified beneficiaries only after the Benefits Administrator has been notified that a qualifying event has occurred. When the qualifying event is the end of employment, reduction of hours of employment, or death of the employee or retiree group participant, the Commonwealth of Virginia will be responsible for providing qualified beneficiaries with their right to elect Extended Coverage.

For other qualifying events (divorce of the employee/retiree group participant and spouse, or a dependent child's losing eligibility for coverage as a dependent child), you (or any individual representing the qualified beneficiaries) must notify your Benefits Administrator. The Plan requires you to notify the Benefits Administrator within 60 days of the date coverage would be lost due to the qualifying event. Your designated Benefits Administrator must be provided with written notification including the following information:

- The type of qualifying event (e.g., divorce, loss of dependent eligibility);
- The name of the affected qualified beneficiary (e.g., spouse or dependent child);
- The date of the qualifying event;
- Documentation to support the occurrence of the qualifying event (e.g., final divorce decree, dependent child's marriage certificate, proof of child's self-support);
- The written signature of the notifying party.

Once the Benefits Administrator receives timely notice that a qualifying event has occurred, Extended Coverage will be offered to the qualified beneficiaries. For each qualified beneficiary who makes a timely Extended Coverage election (as defined in the Election Notice), Extended Coverage will begin on the date that Plan coverage would have been lost due to the qualifying event. Failure to provide timely and complete notification of the qualifying event will result in loss of Extended Coverage eligibility.

Extended Coverage is a temporary continuation of coverage. When the qualifying event is the death of the employee or retiree group participant, your divorce, or a dependent child losing eligibility as a dependent child, Extended Coverage lasts for up to 36 months.

Coverage that is terminated in anticipation of a qualifying event (e.g., divorce) is disregarded when determining whether the event results in a loss of coverage. Upon receiving notice of the

event, as defined above, the Benefits Administrator must make Extended Coverage available and effective on the date of the event, but not before.

When the qualifying event is the end of employment or reduction of the employee's hours of employment, Extended Coverage lasts for up to 18 months. There are two ways in which this 18-month period of Extended Coverage can be extended.

Disability Extension of 18-Month Period of Extended Coverage

If you or anyone in your family covered under the Plan is determined by the Social Security Administration to be disabled at any time during the first 60 days of Extended Coverage and you notify your Benefits Administrator in a timely fashion (as defined below), you and your entire family can receive up to an additional 11 months of Extended Coverage, for a total maximum of 29 months. You (or any individual representing the qualified beneficiaries) must make sure that your Benefits Administrator is notified in writing of the Social Security Administration's determination within 60 days of the date of the determination and before the end of the 18-month period of Extended Coverage. In addition, the following information must be provided in writing:

- The name of the affected qualified beneficiary (e.g., spouse or dependent child);
- The date of the determination;
- Documentation from the Social Security Administration to support the determination;
- The written signature of the notifying party.

Failure to provide timely and complete notification of the disability determination will result in loss of eligibility for the extension.

Second Qualifying Event Extension of 18-Month Period of Continuation Coverage

If your family experiences another qualifying event while receiving Extended Coverage, the spouse and dependent children in your family can get additional months of Extended Coverage up to a maximum of 36 months. This extension is available to the spouse and dependent children if the former employee dies or gets divorced. The extension is also available to a dependent child when that child stops being eligible under the Plan as a dependent child. In all of these cases, you (or any individual representing the qualified beneficiaries) must make sure that your Benefits Administrator is notified of the second qualifying event within 60 days of the date coverage would be lost due to the second qualifying event. This notice must be delivered (by mail or hand delivery) to your Benefits Administrator in writing and include the following information:

- The type of second qualifying event (e.g., divorce, loss of dependent eligibility);
- The name of the affected qualified beneficiary (e.g., spouse or dependent child);
- The date of the second qualifying event;
- Documentation to support the occurrence of the second qualifying event (e.g., final divorce decree, dependent child's marriage certificate, proof of child's self-support);
- The written signature of the notifying party.

Failure to provide timely and complete notification of the second qualifying event will result in loss of Extended Coverage eligibility.

In addition, when an employee's qualifying event (e.g., termination of employment or reduction in hours) occurs within the 18-month period after the employee becomes entitled to Medicare, the employee's covered spouse and dependent children (but not the employee) become entitled to Extended Coverage for a maximum period that ends 36 months after the Medicare entitlement.

If You Have Questions

This notice is intended as a summary of your Extended Coverage rights but does not completely describe Extended Coverage. If you have additional questions about Extended Coverage, you should contact your Benefits Administrator or the U.S. Department of Labor's Employee Benefits Security Administration (EBSA). Active or former employees (and their covered dependents) may contact the designated Benefits Administrator within their employing agency. Retiree group participants (and their covered dependents) should contact the Virginia Retirement System or, for Optional Retirement Plan or Local Retirees (and their covered dependents), their pre-retirement agency's Benefits Administrator. The EBSA can address provisions of COBRA that also apply to the Public Health Service Act. Addresses and phone numbers are available through EBSA's Web site at www.dol.gov/ebsa.

Keep Your Plan Informed of Address Changes

In order to protect your family's rights, you should keep your Benefits Administrator informed of any changes in your address or the addresses of family members. You should also keep a copy, for your records, of any notices you send to your Benefits Administrator.